VULAMEHLO MUNICIPALITY

BALANCE SHEET AT 30 JUNE 2008

	Note	2008	2007
CAPITAL EMPLOYED		R	R
FUNDS AND RESERVES		9 332 437	12 839 473
Reserves	1	9 332 437	12 839 473
RETAINED SURPLUS		4 673 823	3 235 507
LONG TERM LIABILITIES	2	0	26 650
		14 006 261	16 101 631
EMPLOYMENT OF CAPITAL			
FIXED ASSETS	3	35 982	58 726
LONG TERM DEBTORS	4	0	10 619
		35 982	69 345
NET CURRENT ASSETS		13 970 279	16 032 286
CURRENT ASSETS		15 063 091	16 588 261
Debtors and Deposits	5	332 063	151 030
Short Term Call Deposit		12 794 358	11 617 051
Cash and Bank		1 936 670	4 820 180
CURRENT LIABILITIES		1 092 812	555 975
Provisions	6	177 471	287 845
Creditors and Deposits	7	881 326	230 882
Bank overdraft		190	749
Loans : short term portion	2	33 825	36 499
		14 006 261	16 101 631

M H ZULU **28 AUGUST 2008** **H MAHOMED**
MUNICIPAL MANAGER **CHIEF FINANCIAL OFFICER**

QUALIFICATION : B Com. (Hons) AIMFO SAIPA
EXPERIENCE : Eight Years

VULAMEHLO MUNICIPALITY

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2008

	Note	2008	2007
		R	R
CASH RETAINED FROM (UTILISED BY) OPERATING ACTIVITIES:		-1 525 530	627 792
Cash generated from (utilised by) operations	11	-3 157 787	1 005 148
Investment income		1 181 101	794 491
(Increase)/decrease in working capital	12	469 411	-1 159 353
		-1 507 274	640 287
Less : External interest paid		-18 256	-12 495
Cash available from (utilised by) operations		-1 525 530	627 792
Net cash contributed from the public and State		0	0
Net proceeds on disposal of fixed assets		0	0
CASH UTILISED IN INVESTING ACTIVITIES			
Investment in Fixed Assets		-161 409	-449 929
NET CASH INFLOW (OUTFLOW)		-1 686 939	177 863
CASH EFFECTS OF FINANCING ACTIVITIES:			
Increase/(decrease) in long term loans	13	-26 650	-49 202
Increase/(decrease) in short term loans	14	-2 675	-2 852
(Increase)/decrease in cash investments	15	1 706 204	-135 954
(Increase)/decrease in cash	16	0	0
Increase/(decrease) in bank overdraft	17	-559	-474
(Increase)/decrease in long term debtors		10 619	10 619
		1 686 939	-177 863

VULAMEHLO MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008	2007
	R	R
1. RESERVES		
Reserves consist of :		
Violence Damaged Houses Grant	127 539	127 539
Burial Assistance Grant	28 903	32 844
Local Government Finance Management Grant	360 007	264 224
Equitable Share	1 731 260	6 175 961
Integrated Development Plan Review Grant	52 627	8 234
IDP Grant	0	-5 607
Local Government Transition Fund	203 358	203 358
Capacity Support Grant	319 478	119 478
Free Basic Services Grant	172 813	172 813
Ugu Municipal Systems Improvement Grant	1 269 789	1 236 087
Municipal Capacity Building Framework	574 662	640 913
Implementation of MFMA Grant	98 217	107 853
Municipal Assistance Programme Grant (MAP)	79 070	280 024
Establishment of Municipalities Grant (DLGTA)	150 000	150 000
Property Rates Grant	63 125	63 125
Inter-Departmental Monitoring Grant	77 992	77 992
Youth Grant (Ugu)	5 267	30 000
Land Use Management Systems Grant (LUMS)	44 545	44 545
DLGTA - Anti-corruption Grant	125 204	125 204
Amahwaqa Housing Project Development Grant	1 000	1 000
Johnny Area Community Gardens Grant	5 726	5 726
Mjunundu Community Gardens Grant	3 680	3 680
Homeowners Ploughing Assistance Programme	14 904	16 617
CDW Grant	6 344	6 344
Umdumezulu / Isimahla Rural Housing Project	131	131
HIV/AID - DRUM	144	2 974
Project Consolidate	1 619 887	180 300
MDCBP Grant	0	165 115
PMS Grant	40 000	40 000
Property Rates Valuation Roll Grant	126 842	270 000
GIS Grant	3 344	45 579
LGWSETA Grant	35 078	35 078
Peanut Butter Project Grant	57	57
LED Strategy Grant	0	777
DBSA Grant	162 148	74 282
Municipal Infrastructure Investment Programme	262 400	387 200
MIG	832 185	970 793
Development of Municipal Housing Grant	17 418	3 768
HR Systems Grant (DLGTA)	137 000	137 000
Public Participation Grant (DLGTA)	109 769	250 000
Establishment Projects Grant	250 000	250 000
Cemetry Grant	86 113	191 707
Feasibility Grant	100 000	100 000
Disaster Management Grant	0	-11 356
Kwaqiko Execution Rock Development Grant	0	-89 245
People's Housing Project Grant	0	-42 868
BEF Grant Fund	0	-9 770
Vulamehlo Youth Council	20 000	0
Ward Committee Induction	14 410	0
	9 332 437	12 839 473

	2008	2007
	R	R

2. LONG TERM LIABILITIES

Lease Commitments	33 825	63 149
	33 825	63 149
Less : Current portion transferred to Current liabilities	33 825	36 499
Lease Commitments	33 825	36 499
	0	26 650

(Refer to appendix B for more details on long term liabilities)

3. FIXED ASSETS

Fixed assets at the beginning of the year	8 346 345	7 896 416
Capital expenditure during the year	161 409	449 929
Less : Assets written off, transferred or disposed of during the year	0	0
Total fixed assets	8 507 754	8 346 345
Less : Loans Redeemed and Other Capital Receipts	-8 471 772	-8 287 619
Net fixed assets	35 982	58 726

(Refer to appendix C and section 2 of the Chief Financial Officers Report for more details on fixed assets)

	2008	2007
	R	R

4. LONG TERM DEBTORS

Long term debtors consist of deferred finance charges in respect of finance lea	0	10 619

5. DEBTORS & DEPOSITS

Sundry Debtors	3 793 646	3 612 612
Deposits Held	3 450	3 450
	3 797 096	3 616 062
Less : Provision for Doubtful Debts	-3 465 032	-3 465 032
	332 063	151 030

As the municipality is currently being considered for de-registration for Value Added Tax, by the South African Revenue Services, all input tax previously claimed by the municipality, may not be recovered from the South African Revenue Services, hence the provision for doubtful debts.

6. PROVISIONS

Leave provision	177 471	287 845
Audit fee provision	0	0
	177 471	287 845

7. CREDITORS

Trade creditors	876 558	123 701
Other	4 769	107 181
	881 326	230 882

8. AUDITORS REMUNERATION

Audit fees	310 345	311 463

	2008	2007
	R	R
9. FINANCE TRANSACTIONS		
Total interest earned or paid:		
Interest earned	1 181 101	794 491
Capital charges debited to operating account:		
Interest : External	18 256	12 495
Redemption : External	22 744	28 180
	41 000	40 675
10. APPROPRIATIONS		
Appropriation account		
Accumulated surplus at the beginning of the year	3 235 507	2 296 446
Operating (deficit)/surplus for the year	-2 314 980	365 145
	920 527	2 661 592

	2008	2007
	R	R
11. CASH GENERATED BY OPERATIONS		
(Deficit)/surplus for the year	-2 314 980	365 145
Adjustments in respect of:		
Previous years' operating transactions	246 260	0
Appropriations charged against income:	51 035	1 393 820
Loan redemption fund	0	0
Fixed assets	161 409	449 929
Provisions and reserves	-110 374	943 890
Capital charges:		
Interest paid		
on external funds	18 256	12 495
Redemption:		
of external loans	22 744	28 180
Investment income	-1 181 101	-794 491
	-3 157 787	1 005 148
12. (INCREASE)/DECREASE IN WORKING CAPITAL		
(Increase)/decrease in debtors	-181 034	-183 263
Increase/(decrease) in creditors	650 445	-976 089
	469 411	-1 159 353
13. INCREASE/(DECREASE) IN LONG TERM LOANS (EXTERNAL)		
Loans raised	0	0
Loans repaid	-26 650	-49 202
	-26 650	-49 202
14. INCREASE/(DECREASE) IN SHORT TERM LOANS (EXTERNAL)		
Loans repaid	-2 675	-2 852
	-2 675	-2 852
15. (INCREASE)/DECREASE IN EXTERNAL CASH INVESTMENT		
Investments made	1 706 204	-135 954
	1 706 204	-135 954

	2008	2007
	R	R
16. (INCREASE)/DECREASE IN CASH ON HAND		
Cash balance at the beginning of the year	5 000	5 000
Less : Cash balance at the end of the year	-5 000	-5 000
	0	0
17. INCREASE/(DECREASE) IN BANK OVERDRAFT		
Bank overdraft at beginning of the year	-749	275
Less : Bank overdraft at the end of the year	190	-749
	-559	-474
18. COUNCIL'S GENERAL		
Speaker	521 842	225 520
Mayor	454 613	415 163
Deputy Mayor	508 432	206 788
Executive Committee	477 854	195 535
Councillors	2 247 054	2 202 277
	4 209 796	3 245 283
19. GRANT EXPENDITURE		
Grant expenditure consists of :		
Violence Damaged Houses Grant	0	37 261
Local Government Finance Management Grant	404 217	358 898
IDP Grant	-5 607	65 978
Implementation of MFMA Grant	9 636	33 542
Equitable Share	3 736 524	3 505 703
Integrated Development Plan Review Grant	5 607	27 693
Local Government Transition Fund Grant	0	4 908
Free Basic Services Grant	0	-0
Municipal Capacity Building Framework Grant	66 251	34 087
Burial Assistance Grant	3 941	20 974
Municipal Assistance Programme Grant (MAP)	200 954	1 000 217
Amahwaqa Housing Project Development Grant	0	36 803
Ugu Municipal Systems Improvement Grant	700 297	218 726
Property Rates Valuation Roll Grant	143 158	0
Inter-Departmental Monitoring Grant	0	22 008
Kwaqiko Execution Rock Development Grant	0	89 245
People's Housing Project Grant	0	525 068
Johnny Area Community Gardens Grant	0	9 190
Mjunundu Community Gardens Grant	0	9 190
CDW Grant	0	6 434
Umdumezulu / Isimahla Rural Housing Project	0	12 363 523
HIV/AID - DRUM	2 830	0
Project Consolidate	2 360 413	0
MDCBP Grant	165 115	228 885
Peanut Butter Project Grant	0	134 200
LED Strategy Grant	11 814	55 185
MIG	3 802 435	3 758 424
Totals carried forward	11 607 584	22 546 144

	2008	2007
	R	R
Totals brought forward	11 607 584	22 546 144
Land Use Management Systems Grant (LUMS)	0	135 455
DLGTA - Anti-corruption Grant	0	9 296
Homeowners Ploughing Assistance Programme	1 713	25 050
PMS Grant	0	30 000
GIS Grant	42 234	129 422
DBSA Grant	93 633	157 158
Municipal Infrastructure Investment Programme	124 800	124 800
Development of Municipal Housing Grant	112 372	96 232
Cemetry Grant	105 593	8 294
BEF Grant Fund	180 253	79 556
KZN Legislature - Catering Grant	0	95 100
Disaster Management Grant	0	11 356
Public Participation Grant (DLGTA)	140 231	0
Youth Grant (Ugu)	24 733	0
	12 433 147	23 447 862

20. CAPITAL COMMITMENTS

Capital commitments at year end as per the contracts register amounts to R5 670 798.

21. CAPITAL DEVELOPMENT FUND

The municipality presently does not contribute towards a Capital Development Fund.

22. RELATED PARTY TRANSACTIONS

During the year under review, no related party transactions were entered into.

23. RETIREMENT BENEFITS

23.1 The results of the last interim actuarial valuation of the Natal Joint Municipal Pension Fund (Retirement Fund) which covered a triennial period to 31 March 2006 revealed that the fund had a shortfall of R205 million. This shortfall will be taken into acc in determining future surcharges, which will be met by increased employer contributions.

23.2 The last interim actuarial valuation of the Natal Joint Municipal Pension Fund (Superannuation Fund) which was done at 31 March 2006 revealed that the fund had a shortfall of R93 million. This shortfall will be taken into account in determining future surcharges, which will be met by increased employer contributions.

23.3 The last actuarial valuation of the Natal Joint Municipal Pension Fund (Provident Fund) which was done at 31 March 2005, indicated that the fund is in a sound financial position.

24. REMUNERATION OF SENIOR MANAGERS

Municipal Manager	1 053 362	767 214
Chief Financial Officer	386 964	476 399
Director : Corporate Services	420 365	535 484
Director : Technical Services	247 874	484 831
	2 108 566	2 263 928

APPENDIX A

VULAMEHLO MUNICIPALITY
30 JUNE 2008
ACCUMULATED FUNDS, RESERVES AND PROVISIONS

	Balance at 30/06/2007	Contribution during the year	Interest on investments	Other income	Expenditure during the year	Balance at 30/06/2008
	R	R	R	R	R	R
PROVISIONS						
Audit fee p	0	0	0	0	0	0
Doubtful de	3 465 032	0	0	0	0	3 465 032
Leave prov	287 845	121 098	0	0	231 473	177 471
	3 752 878	121 098	0	0	231 473	3 642 503

APPENDIX B

VULAMEHLO MUNICIPALITY
30 JUNE 2008
EXTERNAL LOANS AND INTERNAL ADVANCES

	Interest rate	Loan number	Redeemable	loan authorit expires	Balance at 30/06/2007	Received during the year	Redeemed or written off during the year	Balance at 30/06/2008
					R	R	R	R
EXTERNAL LOANS								
Lease Commitments								
Bankfin	13.921%		Annually	01-09-2006	-0	0	0	-0
WesBank	14.745%		Annually	27-05-2009	63 149	0	29 324	33 825
					63 149	0	29 324	33 825
					63 149	0	29 324	33 825

(Refer to note 2)

VULAMEHLO MUNICIPALITY

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2008

2007 Actual Income R	2007 Actual Expenditure R	2007 Surplus/ (Deficit) R		Note	2008 Actual Income R	2008 Actual Expenditure R	2008 Surplus/ (Deficit) R	2008 Budget Surplus/ (Deficit) R
36 864 594	36 499 449	365 145	**GENERAL SERVICES**		22 693 586	25 008 565	-2 314 980	0
		365 145	Net surplus/(deficit) for the year				-2 314 980	
		573 916	Transfer (to) from Reserves	1			3 753 296	
		2 296 446	Accumulated surplus/(deficit) beginning of year				3 235 507	
		3 235 507	**ACCUMULATED SURPLUS/(DEFICIT) AT END OF THE YEAR**				4 673 823	

APPENDIX E

VULAMEHLO MUNICIPALITY

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2008

2007 Actual Income R	2007 Actual Expenditure R	2007 Surplus/ (Deficit) R		Note	2008 Actual Income R	2008 Actual Expenditure R	2008 Surplus/ (Deficit) R	2008 Budget Surplus/ (Deficit) R
			GENERAL SERVICES					
36 864 594	36 499 449	365 145	General		22 693 586	25 008 565	-2 314 980	0
		365 145	Net surplus/(deficit) for the year				-2 314 980	
		573 916	Transfer (to) from Reserves	1			3 753 296	
		2 296 446	Accumulated surplus/(deficit) beginning of year				3 235 507	
		3 235 507	**ACCUMULATED SURPLUS/(DEFICIT) AT END OF THE YEAR**				4 673 823	

	2008	2007
	R	R

25. BANK, AND OVERDRAFT BALANCES

The Municipality has the following bank accounts:

First National Bank - Port Shepstone		
Account Number 620 2610 4901		
Cash book balance at beginning of year	4 815 148	5 469 500
Cash book balance at end of year	60 675	4 815 148
	60 675	4 815 148
Bank statement balance at beginning of year	5 030 722	5 675 674
Bank statement balance at end of year	60 675	5 030 722
Account Number 620 8672 8642 (Gijima Account):		
Cash book balance at beginning of year	32	418
Cash book balance at end of year	10 984	32
	10 984	32
Bank statement balance at beginning of year	32	418
Bank statement balance at end of year	10 984	32
Account Number 620 9499 0928 (Gijima Account):		
Cash book balance at beginning of year	-749	-275
Cash book balance at end of year	-76	-749
	-	-
Bank statement balance at beginning of year	-749	-275
Bank statement balance at end of year	-76	-749
Account Number 621 6388 5399 (Municipal Housing Operating Account):		
Cash book balance at beginning of year	0	0
Cash book balance at end of year	-114	0
	-	-
Bank statement balance at beginning of year	0	0
Bank statement balance at end of year	-114	0
ABSA Bank - Port Shepstone		
Account Number 406 9991 393 (Primary Bank Account):		
Cash book balance at beginning of year	0	0
Cash book balance at end of year	1 860 012	0
	1 860 012	-
Bank statement balance at beginning of year	0	0
Bank statement balance at end of year	2 236 488	0

APPENDIX C

VULAMEHLO MUNICIPALITY
30 JUNE 2008
ANALYSIS OF FIXED ASSETS

Expenditure 2007		Budget 2008	Balance at 30/06/2007	Expenditure 2008	Written off transferred redeemed or disposed of during the year	Balance at 30/06/2008
R		R	R	R	R	R
	GENERAL SERVICES					
449 929	General	200 000	8 346 345	161 409	0	8 507 754
449 929	**TOTAL FIXED ASSETS**	200 000	8 346 345	161 409	0	8 507 754
	LESS: LOANS REDEEMED AND OTHER CAPITAL RECEIPTS		8 287 619	184 153	0	8 471 772
	Loans redeemed and advances paid		114 745	22 744	0	137 489
	Contributions ex operating income		0	0	0	0
	Grants and Subsidies		8 172 874	161 409	0	8 334 283
	Contributions from Local Authority		0	0	0	0
	NET FIXED ASSETS		58 726	-22 744	0	35 982

APPENDIX D

VULAMEHLO MUNICIPALITY

ANALYSIS OF OPERATING INCOME AND EXPENDITURE FOR THE YEAR ENDED 30 JUNE 2008

2007 Actual		Note	2008 Actual	2008 Budget
R			R	R
	INCOME			
35 925 533	Grants and Subsidies		21 255 270	22 572 320
108 053	Rental Income		187 422	104 000
36 517	Sundry Income		69 792	12 000
794 491	Investment income	9	1 181 101	1 018 822
36 864 594			22 693 586	23 707 142
	EXPENDITURE			
4 896 659	Salaries, wages and allowances		5 068 273	5 055 381
2 719 361	General expenses		2 687 523	3 070 574
623 230	Repairs and maintenance		568 826	688 238
3 245 283	Council's general	18	4 209 796	5 033 596
23 447 862	Grant expenditure	19	12 433 147	9 859 353
40 675	Capital charges	9	41 000	0
367 598	Contributions to fixed assets		0	0
1 158 781	Contributions		0	0
36 499 449			25 008 565	23 707 142
365 145	**NET SURPLUS (DEFICIT) FOR THE YE**		-2 314 980	0

APPENDIX F

VULAMEHLO MUNICIPALITY

STATISTICAL INFORMATION

	2008	2007	2006
General Statistics			
i) Population	84 000	84 000	83 000
ii) Number of Employees	37	32	24
iii) Area in Hectares	97.35202	97.35202	97.35202